



GREATER LETABA MUNICIPALITY

2018/2019 ANNUAL BUDGET

EXECUTIVE SUMMARY

1. SUBJECT

Annual Budget 2018/19

2. PURPOSE

The purpose of the annual budget is to comply with section 16(1) of MFMA which state that the Council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year; section 16(2) of MFMA further states that the Mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year. It is therefore the purpose of this report for Special Council to consider and approve the annual budget for the 2018/19.

3. MAYOR'S REPORT

In terms of section 16 of the Municipal Finance Management Act (MFMA)—

The Council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year;

Section 16(2) of MFMA further states that the Mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.

In subsection 3 reference is made to subsection 1 which does not preclude the appropriation of money for capital expenditure for a period not exceeding three

financial years, provided a separate appropriation is made for each of those financial years.

Section 24 of MFMA further states in relation to approval of annual budgets that-

- (1) The municipal council must at least 30 days before the start of the budget year consider the approval of the annual budget;
- (2) An annual budget-
 - (a) Must be approved before the start of the budget year;
 - (b) Is approved by the adoption by the council of a resolution referred to in section 17(3)(a)(i);
 - (c) Must be approved together with the adoption of resolutions as may be necessary-
 - (i) Imposing any municipal tax for the budget year;
 - (ii) Setting any municipal tariffs for the budget year;
 - (iii) Approving measurable performance objectives for revenue from each source and for each vote in the budget;
 - (iv) Approving any changes to the municipality's integrated development plan; and
 - (v) Approving any changes to the municipality's budget-related policies.
- (3) The Accounting Officer of a municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury.

The municipality will generate own revenue from the sources identified as follows-

- Property rates, electricity revenue and refuse revenue will be billed and collected as a result of the prepaid split meters due to be installed in Modjadjiskloof and their total budgets are R12 255 327.57; R12 666 643.21 (included in the figure is R114 000.00 electricity revenue from Caravan Park chalets) and R6 243 396.81 respectively.
- Rental of facilities and equipment equals R956 797.77 (includes rental for a house in Marble street R30 000p.a. a house in Freistaat R24 000p.a. and R30 000 for SASSA house next to bus rank as well as Information centre R30 000pa as requested by a group from outside to utilize it for business)
- Fines, penalties and forfeits have been budgeted for R1 200 000. A company dealing with speed fines was invited at the municipality in March 2018 to

make a presentation. Currently this company is contracted by Greater Tzaneen and Greater Giyani to collect fines on their behalf.

- It is planned that if the municipality is not doing well financially in 2018/2019FY a withdrawal from investments will be made at R23 390 000.00.
- Gains on disposal of PPE – In the adjustment budget an amount of R112 000 was budgeted for. The actual proceeds were R577 000.00 (VAT exclusive) hence it is captured in 2018/19 to correct an error occurred in the previous financial year.
- The new revenue sources were identified as **Debt collection services** R2 000 000; **Revenue from outdoor adverts** R1 200 000 and **Ga-Kgapane Ext. 5 (loan accounts)** R2 000 000.

Revenue from transfers and subsidies of R248 358 000.00 includes FMG equals to R2 145 000.00 and R1 521 000.00 for EPWP and these transfers increased from R227 000 000.00.

Revenue from conditional grant (MIG)-

It was reduced in 2018/19 from R61 920 000 to R56 460 000 by 8.8%.

The total operating budget for 2018/19 equals to R223 430 361.36 made up of the following votes:

0001	Internal Audit	1 938 939.02
0002	Risk Management	847 756.79
0014	Library	1 553 656.95
0018	Disaster Management	1 038 276.39
0020	TAXI RANKS	233 210.70
0022	CORPORATE WIDE STRATEGIC PLANNING (IDP & LED)	8 839 649.24
0023	TOWN PLANNING AND BUILDING REGULATIONS	2 141 460.24
0024	PROJECT MANAGEMENT UNIT	2 523 000.00
0028	ROAD AND TRAFFIC REGULATIONS	15 612 924.71

0029	ROADS	19 031 539.85
0032	COMMUNITY HALLS AND FACILITIES	1 484 481.45
0033	HOUSING	727 499.11
0034	COMMUNITY PARKS	7 690 965.43
0036	PUBLIC TOILETS	686 132.61
0038	CEMETRIES AND CREMATORIUMS	257 880.39
0039	INFORMATION TECHNOLOGY	6 403 449.82
0040	MAYOR AND COUNCIL	39 561 229.98
0054	ADMINISTRATIVE AND CORPORATE SUPPORT	20 206 768.22
0042	SOLID WASTE REMOVAL	4 976 098.47
0046	HUMAN RESOURCES	6 977 174.93
0048	MUNICIPAL MANAGER	8 239 161.19
0050	BUDGET AND TREASURY OFFICE	23 968 834.34
0052	STREET LIGHTING	7 811 212.58
0053	SUPPLY CHAIN MANAGEMENT	2 281 224.74
0055	ASSET MANAGEMENT	4 087 160.29
0062	LEGAL SERVICES	4 346 185.10
0063	CUSTOMER RELATIONS AND MEDIA CO-ORDINATION	2 151 894.46
0064	PROPERTY SERVICES (WORKSHOP)	3 136 452.21
0071	ELECTRICITY	24 676 142.14
		223 430 361.36

The budgeted amount for repairs and maintenance equals to R22 098 648.72 which is at 9.89%. It implies the municipality improved the provision for a budget in 2018/19FY in order to repair and maintenance the existing infrastructure. The norm is 8%.

CAPITAL PROJETS

Executive and council	-
Budget and Treasury	730 000.00
Corporate Services	6 356 000.00
Roads Transport	37 014 654.45
Community Services	11 244 752.66
Technical Services	74 601 339.85
Counter Funding for MIG Projects	23 902 226.35
Sports and Recreation	25 235 573.80
Street Lights	4 200 000.00
Waste Management	6 140 000.00
Electricity	8 151 111.60

Total Budget	<u>116 834 318.86</u>
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Capital Projects (MIG Funded)	R
Kgapane Stadium Phase 3	11 001 978.00
Upgrading of streets – Sekgopo Moshate	5 283 210.00
Upgrading of street – Mamphakhati	7 450 000.00
Las vegas Street Paving	4 987 800.00
Upgrading of streets – Ditshosing	5 503 600.00
Upgrading of streets – Ntata	5 401 000.00
Thakgalane Sports Complex	5 593 206.00
Madumeleng Sports Complex	5 593 206.00
Jokong Street Paving	2 823 000.00
Total Budget (MIG)	<u>56 460 000.00</u>

Council has approved the annual budget 2018/19 by 29 May 2018 as stipulated in the Municipal Budget and Reporting Regulation (MBRR).

4. EXECUTIVE SUMMARY

In terms of section 16 of the Municipal Finance Management Act (MFMA)—

The Council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year;

Section 16(2) of MFMA further states that the Mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.

The final annual budget was tabled in council on the 29th May 2018 as follows-

Revenue

The total revenue of the municipality is equal to R402 707 680.22 (conditional grants included). The total own revenue R68 516 680.22.

Expenditure

The total expenditure of the municipality is accounted as follows:

- Operational budget = R223 430 361.36
- Capital budget = R 179 277 318.86

The table below illustrates the revenue sources where the adjustments were effected:

Revenue by source	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2020/21
	R	R	R
Property rates	12 255 327.57	12 917 115.26	13 627 566.60
Service charges - electricity revenue	12 666 643.21	13 350 641.94	14 084 927.25
Service charges - refuse revenue	6 243 396.81	6 580 540.24	6 942 469.95
Rental of facilities and equipment	956 797.77	1 002 308.85	1 051 165.84
Interest earned - external investments	4 519 515.44	4 763 569.28	5 025 565.59
Interest earned - outstanding debtors	8 441 397.77	8 610 225.72	8 782 430.24
Fines, penalties and forfeits	1 200 000.00	1 264 800.00	1 334 364.00
Licences and permits	8 085 004.64	8 521 594.89	8 990 282.61
Agency services	2 176 014.33	2 293 519.10	2 419 662.65
Transfers and subsidies	248 358 000.00	274 109 000.00	297 262 000.00

Other revenue	6 195 582.68	6 530 144.15	6 889 302.08
Withdrawal from investment	23 390 000.00	-	-
Income : Awards	-	-	-
Gains on disposal of PPE	577 000.00	608 158.00	641 606.69
Debt Collection Services	2 000 000.00	2 108 000.00	2 223 940.00
Revenue from outdoor adverts	1 200 000.00	1 264 800.00	1 334 364.00
Ga-Kgapane EXT 5 (LOAN ACCOUNTS)	2 000 000.00	-	-
Total Revenue (excluding capital transfers and contributions)	340 264 680.22	343 924 417.43	370 609 637.49
Capital transfers			
MIG	56 460 000.00	57 608 000.00	60 783 000.00
INEP	5 983 000.00	10 635 000.00	12 500 000.00
Total Revenue (including capital transfer)	402 707 680.22	412 167 417.43	443 892 687.49

Expenditure By Type			
Employee related costs	78 303 797.25	82 544 407.65	87 084 350.07
Remuneration of councillors	22 467 854.93	23 681 119.10	24 983 580.65
Debt impairment	1 956 620.19	2 062 277.68	2 175 702.95
Depreciation & asset impairment	5 043 379.81	5 316 412.63	5 608 815.43
Repairs and	22 098 648.72	18 024 227.39	19 015 559.89

maintenance			
Bulk purchases	17 096 558.83	18 019 773.01	19 010 860.52
Contracted services	15 119 136.50	15 935 569.87	16 812 026.22
Other expenditure	61 344 365.13	63 982 715.48	66 761 203.46
Total Expenditure	223 430 361.36	229 566 50280	241 452 099.19
Surplus/(Deficit) excluding capital transfers	116 834 318.86	114 357 914.63	129 157 538.29
Surplus/(Deficit) including capital transfers	179 277 318.86	182 600 914.63	202 440 538.29

5. Effect of annual budget on provision of free basic services.

In terms of the indigent policy, the municipality provides free basic services on rates and taxes, refuse removal and electricity.

6. Effect of adjustments budget on service delivery budget implementation plan (SDBIP), service delivery agreements and medium term revenue and expenditure framework and long term sustainability of the municipality.

Alignment of transfer of Grants

National governments have aligned the transfers of grants to be in line with the financial year of the municipalities from the 01 July 2013. As a result, municipalities will no longer receive any transfers from national governments during the period April to June. The results of this is the recognition and budgeting of all DORA gazetted grants in terms of the municipal financial year covering the period from 01 July to 30 June and therefore a revision on all budgeted figure in terms of the medium term revenue expenditure framework budget.

Revenue Enhancement of Strategy

The municipality has reviewed its revenue enhancement strategy and will therefore be submitted to Council for approval. Further that the debt collection services as well as the installation of prepaid split meters in Modjadjiskloof and Mokgoba village if implemented and/installed will assist in the collection of revenue.

Review of Tariff Structure

The municipality has reviewed its tariffs structure to be in line with the requirements of National Electricity Regulator of South Africa (NERSA).

7. Challenges

- The problem of counter funding MIG projects in 2018/19.
- The municipality does not have the capacity to fund big projects 100% from own funding.

8. Conclusion

The municipality will implement debt collection services to Senwamokgope and Ga-Kgapane Townships to enhance revenue collection.

Together with our communities, we can make the Greater Letaba Municipality to be financially sustainable.

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